

Message Text

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12

ACTION EB-07

INFO OCT-01 AF-06 EA-06 NEA-09 ISO-00 FEA-01 AEC-05 AID-05

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2202

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANAMA

AMEMBASSY SINGAPORE

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STATE PASS TREASURY, EXIM, AND OPIC

E.O. 11652: N/A

TAGS: EFIN, EINV, KU

SUBJECT: KUWAIT INDUSTRIAL BANK TO ASSUME LARGER ROLE IN
KUWAIT'S EXTERNAL INVESTMENTS

1. IN MEETING WITH SENIOR OFFICIAL OF RECENTLY ESTABLISHED SUBJECT
BANK EMBOFF TOLD BANK EXPECTS TO GREATLY EXPAND ITS ROLE IN NEAR
FUTURE. ORIGINALLY CHARTERED TO MAKE AVAILABLE LOW-COST
LOANS TO KUWAITIS WISHING ESTABLISH LOCAL INDUSTRY, THE INDUS-
TRIAL BANK NOW ENVISIONS A MAJOR ROLE FOR ITSELF IN HELPING
THE MINISTRY OF FINANCE TO EVALUATE POTENTIAL EXTERNAL INDUSTRIAL
INVESTMENTS AND TO FINANCE OR JOIN BOTH KUWAITIS AND THIRD
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COUNTRY NATIONALS SEEKING ESTABLISH JOINT OR TRIPARTITE IND-

USTRIAL INVESTMENTS OUTSIDE KUWAIT.

2. WHILE BANK OWNED 49 PERCENT BY GOK AND ALSO BY KUWAIT'S FIVE COMMERCIAL BANKS, INSURANCE COMPANIES, AND OTHER MAJOR KUWAITI COMPANIES ORIGINALLY CAPITALIZED AT KD10 MILLION (KD - \$3.38), IT NOW EXPECTS TO SOON RECEIVE A KD40 MILLION SUBORDINATED LOAN FROM THE MINISTRY OF FINANCE AT APPROXIMATELY THREE PERCENT AND TO SELL DINAR DENOMINATED BONDS IN THE LOCAL MARKET (RECENTLY SEVERAL SEC OFFICIALS WERE HERE ADVISING THE KUWAITIS ON ESTABLISHING BOTH A LOCAL DEBT AND EQUITY MARKETS). WITH THIS EXPANDED CAPITAL THE BANK EXPECTS TO LOAN DINARS AT CONCESSIONARY RATES TO KUWAITIS WHO WISH TO INVEST IN INDUSTRIAL AND AGRICULTURAL PROJECTS ABROAD--ESPECIALLY IN DEVELOPING COUNTRIES. THEY COULD ALSO MAKE LOANS AVAILABLE TO ANYONE ENTERING INTO PARTNERSHIP WITH THE KUWAITIS, ALTHOUGH PROBABLY NOT AT CONCESSIONARY RATES.

3. THE OFFICIAL SAID THE BANK WAS PRESENTLY INTERESTED IN LEARNING MORE ABOUT THE SHIPPING INDUSTRY WITH A VIEW TO INVESTING IN A FOREIGN SHIPYARD AND WAS FAVORABLE TO INVESTMENTS IN A NUMBER OF COUNTRIES SUCH AS SUDAN, EGYPT, SYRIA, MALAYSIA, SINGAPORE, BRAZIL AND OTHERS. THE BANK IS NOT INTERESTED IN DEVELOPMENTAL PROJECTS PER SE BUT EXPECTS A COMMERCIAL RETURN ON PROJECTS IT SUPPORTS. LIKE MANY KUWAITI OFFICIALS, HE COMPLAINED THAT THEY PRESENTLY RECEIVING MANY BUSINESSMEN BUT FEW OF THEM ARE CARRYING ANY CONCRETE PROPOSALS WHICH THEY CAN STUDY.

4. COMMENT: IT PROBABLY VERY LIKELY THAT GOK WILL EXTEND MAJOR CONCESSIONARY LOAN TO THE INDUSTRIAL BANK AS THIS GOK POLICY WITH ALMOST ALL FINANCIAL INSTITUTIONS IN WHICH IT TAKES EQUITY. THE PROPOSAL FOR THE BANK TO EVALUATE MINISTRY OF FINANCE INVESTMENTS SOUNDS LESS CERTAIN TO US ALTHOUGH OFFICIAL COMMENTED HE HAPPY FORMER MIN FINANCE AND OIL ATEEQI REAPPOINTED TO HEAD FINANCE MINISTRY AS BANK ENJOYED EXCELLENT SUPPORT FROM HIM. MAIN POINT FOR US TO NOTE IS WILLINGNESS OF BANK TO EXTEND LOANS TO U.S. BUSINESSMEN INVOLVED IN TRIPARTITE INVESTMENTS OR JOINT-VENTURES WITH THE KUWAITIS AND DEARTH TO DATE OF SUCH PROPOSALS. AFTER CURRENT WAVE OF ASSESSMENT MISSIONS SUBSIDES BELIEVE IT IMPORTANT FOR WASHINGTON AGENCIES TO FOLLOW UP WITH THESE GROUPS LIMITED OFFICIAL USE

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AND OTHER BUSINESSMEN TO ENCOURAGE DEEPER INVOLVEMENT IN AREA'S DEVELOPMENT.
STOLTZFUS

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